

memorandum

OFFICE OF INSPECTOR GENERAL

DATE: May 20, 2008

REPLY TO

ATTN OF: IG-1

SUBJECT: Management Control System

TO: Head of Departmental Elements

Each Departmental Element is required to report annually on the results of its management control reviews and financial systems evaluations. These reports, which take the form of assurance memoranda to the Secretary, provide a basis for the Department's consolidated report on management controls that is included in the annual Performance and Accountability Report.

As part of this process, the Office of Inspector General (OIG) provides Departmental Elements with a list of reports for their use and consideration in preparing the annual assurance memoranda to the Secretary. Our purpose is to identify concerns that have been raised regarding management controls, with either direct or indirect implications for the respective Headquarters and field elements. Attached is a list of OIG reports covering the period of May 19, 2007, to May 20, 2008. Although these reports, and the review they represent, cover a broad spectrum of Department of Energy operations, you will find that several key management challenges have been emphasized.

The OIG identified the following most significant management challenges facing the Department. The Department has taken significant positive steps to address these challenges; however, we concluded in the latest Inspector General Semiannual Report to Congress that these challenges continue as the most serious risks in FY 2008.

Mission-Related Challenges

- Environmental Cleanup
- Human Capital Management
- Safeguards and Security
- Stockpile Stewardship

Internal Control Challenges

- Contract Management
- Cyber Security
- Project Management

Four challenges are associated with mission-related activities, and three challenges are associated with weaknesses in the Department's internal control structure. Specifically, mission-related challenges represent risks that are inherent to the Department's complex operations and are likely to persist well into the future, in part, because they involve factors that are outside the Department's direct control. Internal control challenges relate to weaknesses in the Department's ability to carry out its program responsibilities and to ensure the integrity of its

operations. Further, in our December 13, 2007, report on "Management Challenges at the Department of Energy," we identified a "watchlist" which consists of two areas: Infrastructure Modernization, and Worker and Community Safety.

It is our hope that this information will be helpful as you develop your assurance memoranda to the Secretary. Should you have any questions regarding these reports, please contact Felicia Jones on my staff at (202) 586-7013.

A handwritten signature in black ink, appearing to read "Greg Freidman", written in a cursive style.

Gregory H. Freidman
Inspector General

Attachment

Cc: Office of Internal Review, CF- 1.2

Office of Inspector General Reports Issued May 19, 2007 to May 20, 2008

IG-0766	The Department's Audit Resolution and Follow-up Process	May 24, 2007
IG-0767	Expansion of the Strategic Petroleum Reserve	June 19, 2007
IG-0768	Facility Contractor Acquisition and Management of Information Technology Hardware	June 22, 2007
IG-0769	Management of the Workers' Compensation Program at Department of Energy Headquarters	June 29, 2007
IG-0770	Protective Force MK-19 Grenade Launcher Use at the National Nuclear Security Administration's Pantex Facility	July 20, 2007
IG-0771	Security Over Personally Identifiable Information	July 30, 2007
IG-0772	The National Nuclear Security Administration's Management of Classified Weapons Parts	July 31, 2007
IG-0773	Confirmatory Bioassay Testing at Selected Sites	August 17, 2007
IG-0774	Material Control and Accountability at Los Alamos National Laboratory	September 7, 2007
IG-0775	National Nuclear Security Administration's Construction of a Radiological/Nuclear Complex for the Department of Homeland Security	September 12, 2007
IG-0776	The Department's Unclassified Cyber Security Program – 2007	September 18, 2007
IG-0777	Loan Guarantees for Innovative Energy Technologies	September 19, 2007
IG-0778	The Consolidated Terrorism Watchlist Nomination Process at the Department of Energy	October 2, 2007
IG-0779	Selected Aspects of the East Tennessee Technology Park's Security Clearance Retention Process	October 18, 2007
IG-0780	Work Order Estimate and Cost Issue for Site Support Services at Los Alamos National Laboratory	October 25, 2007
IG-0781	Continuity of Operations at Bonneville Power Administration	November 6, 2007
IG-0782	Management Challenges at the Department of Energy	December 13, 2007

IG-0783	Beryllium Surface Contamination at the Y-12 National Security Complex	December 17, 2007
IG-0784	The Department of Energy's Pandemic Influenza Planning	December 19, 2007
IG-0785	Incident of Security Concern at the Y-12 National Security Complex	January 2, 2008
IG-0786	Department of Energy's Receipt of Royalty Oil	January 4, 2008
IG-0787	The Department's Cyber Security Incident Management Program	January 16, 2008
IG-0788	Nanoscale Materials Safety at the Department's Laboratories	February 28, 2008
IG-0789	Management of the Department's Publicly Accessible Websites	March 13, 2008
IG-0790	Office of Intelligence and Counterintelligence Internal Controls Over the Department of Energy's Sensitive Compartmented Information Access Program	March 21, 2008
IG-0791	The Department's Unclassified Foreign Visits and Assignments Program	March 24, 2008
IG-0792	Review of Alleged Conflicts of Interest Involving a Legal Services Contractor for the Yucca Mountain Project License Application	April 2, 2008
IG-0793	The Department's Progress in Meeting Los Alamos National Laboratory Consent Order Milestones	April 11, 2008
OAS-M-07-04	Follow-Up Audit of the National Nuclear Security Administration's Implementation of the 2003 Design Basis Threat Policy	June 4, 2007
OAS-M-07-05	National Security Technologies, LLC Internal Audit Implementation Design	August 17, 2007
OAS-M-07-06	Management Controls over the Hanford Environmental Information System	September 17, 2007
OAS-M-07-07	Management Controls over Cash Advances for Proprietary Use of Office of Science User Facilities	September 25, 2007
OAS-M-08-01	Management Controls over the Bonneville Power Administration's Personal Property Accountability	October 1, 2007
OAS-M-08-02	Contract Transition Activities at the Nevada Test Site	November 26, 2007

OAS-M-08-03	Management Controls over Implementation of the Homeland Defense Equipment Reuse Program	December 11, 2007
OAS-M-08-04	Management Controls over Operations of the Integrated Disposal Facility at the Hanford Site	December 18, 2007
OAS-M-08-05	Management Controls over the Department of Energy's Uranium Leasing Program	January 23, 2008
OAS-M-08-06	Management Controls over Defense Related High Risk Property	April 24, 2008
OAS-M-08-07	Yucca Mountain Project Document Suspension	April 28, 2008
INS-L-07-07	Alleged Unnecessary Protective Force Equipment Purchases at Pantex	July 11, 2007
INS-L-07-08	Y-12 National Security Complex Safety Program	August 13, 2007
INS-L-07-09	Safety and Health Concerns at the Environmental Management Waste Management Facility	August 21, 2007
INS-L-07-10	Controls Over Military-Type Equipment Within the Office of Secure Transportation	August 27, 2007
INS-L-07-11	Sandia National Laboratory's Safety Practices	September 28, 2007
INS-L-08-01	Allegations of an Inadequate Sandia National Laboratories Ethics Investigation	October 29, 2007
INS-L-08-02	Consolidation of the Department of Energy and National Nuclear Security Administration Counterintelligence Programs	October 30, 2007
INS-L-08-03	Protective Force Staffing Issues at the Pantex Plant	November 5, 2007
INS-L-08-04	Potential Compromise of Personally Identifiable Information at Los Alamos National Laboratory	November 13, 2007
INS-L-08-05	Internal Controls Over Purchase Card Transactions at the Kansas City Plant	January 16, 2008
OAS-L-07-12	Continuity of Operations at the Western Area Power Administration	May 24, 2007
OAS-L-07-13	Safety Allegations Related to the Waste Treatment Plant at the Hanford Site	May 31, 2007
OAS-L-07-14	Agreed-Upon Procedures for Federal Payroll	July 9, 2007
OAS-L-07-15	Idaho National Laboratory Facility Footprint Reduction	July 12, 2007
OAS-L-07-16	Contract Transition Activities at Los Alamos National Laboratory	August 7, 2007

OAS-L-07-17	Executive Compensation at Argonne National Laboratory	August 13, 2007
OAS-L-07-18	Executive Compensation at Brookhaven National Laboratory	August 13, 2007
OAS-L-07-19	Executive Compensation at Selected Office of Science Sites	August 13, 2007
OAS-L-07-20	Executive Compensation at Selected Office Environmental Management Sites	August 13, 2007
OAS-L-07-21	Executive Compensation at Selected National Nuclear Security Administration Sites	August 13, 2007
OAS-L-07-22	Hazardous Chemicals Inventory Management at the Savannah River Site	August 15, 2007
OAS-L-07-23	The Federal Energy Regulatory Commission's Cyber Security Program – 2007	September 18, 2007
OAS-L-07-24	Use of External Independent Reviews at Environmental Management Sites	September 12, 2007
OAS-L-07-25	Remote Access to the Department's Unclassified Information Systems	September 28, 2007
OAS-L-07-26	Department's Implementation of the Strategic Integrated Procurement Enterprise System – Transition Planning, Interfaces, and Testing	September 28, 2007
OAS-L-08-01	Follow-Up on the Depleted Uranium Process at the Y-12 National Security Complex	October 11, 2007
OAS-L-08-02	Department's Implementation of the Strategic Integrated Procurement Enterprise System – Overall Project Planning	November 28, 2007
OAS-L-08-03	The Department of Energy's Implementation of Revised OMB Circular No. A-123	December 11, 2007
OAS-L-08-04	Department's Implementation of the Strategic Integrated Procurement Enterprise System – Security Planning	January 28, 2008
OAS-L-08-05	Contact-Handled Transuranic Waste Characterization Capabilities at the Idaho National Laboratory	January 28, 2008
OAS-L-08-06	Federal Managers' Financial Integrity Act	February 06, 2008
OAS-L-08-07	Analysis of Open Office of Inspector General Recommendations	February 21, 2008
OAS-L-08-08	Accountability of Sensitive and High Risk Property at the Nevada Site Office	March 21, 2008

OAS-L-08-09	The Department's Controls over Leased Space in the National Capital Area	April 17, 2008
OAS-C-08-01	Interim Audit of Thomas Jefferson National Accelerator Facility Costs Claimed under Contract DE-AC05-84ER40150 for Fiscal Years 2003 Through 2006	January 15, 2008
INS-O-07-01	Review of Status of Prior Export Control Recommendations at the Department of Energy	May 22, 2007
INS-O-07-02	Controls Over Ammunition Within the Office of Secure Transportation	July 13, 2007
INS-O-07-03	Protective Force Overtime Pay at Lawrence Livermore National Laboratory	July 23, 2007
INS-O-08-01	Unauthorized Weapon Discharge and Related Security Policies and Procedures at Sandia National Laboratory-New Mexico	February 28, 2008
OAS-V-07-09	Assess of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by Lawrence Livermore National Laboratory During Fiscal Year 2005 under Contract No. W-7405-ENG-48	August 10, 2007
OAS-V-07-10	Assess of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by Ames Laboratory During Fiscal Years 2003 Through 2006	September 11, 2007
OAS-V-07-11	Assess of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by Argonne National Laboratory During Fiscal Year 2006	September 26, 2007
OAS-V-07-12	Assess of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by Bechtel BWXT Idaho, LLC During Fiscal Years 2005 and 2006	September 27, 2007
OAS-V-08-01	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by Bechtel Nevada Corporation Under Department of Energy Contract No. DE-AC08-96NV11718 During Fiscal Year 2006	December 7, 2007
OAS-V-08-02	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by Bechtel Jacobs Company, LLC During Fiscal Year 2006	December 18, 2007

OAS-V-08-03	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by Battelle Energy Alliance, LLC Under Department of Energy Contract No. DE-AC07-05ID14517 During Fiscal Year 2006	January 2, 2008
OAS-V-08-04	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by Oak Ridge Associated Universities for Fiscal Years 2003 Through 2006	January 9, 2008
OAS-V-08-05	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by UT-Battelle, LLC During Fiscal Year 2006	January 15, 2008
OAS-V-08-06	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by Washington Savannah River Company, LLC During Fiscal Year 2006	February 4, 2008
OAS-V-08-07	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Honeywell Federal Manufacturing & Technologies, LLC Under Department of Energy Contract No. DE-AC04-01AL66850 During Fiscal Year 2006	March 6, 2008
OAS-V-08-08	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Midwest Research Institute Under Department of Energy Contract No. DE-AC36-99GO10337 During Fiscal Years 2004, 2005 and 2006	April 4, 2008
OAS-V-08-09	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Sandia Corporation Under Department of Energy Contract No. DE-AC04-94AL85000 During Fiscal Year 2006	May 7, 2008
OAS-FS-08-01	Federal Energy Regulatory Commission's Fiscal Year 2007 Financial Statement Audit	November 6, 2007
OAS-FS-08-02	Department of Energy's Fiscal Year 2007 Consolidated Financial Statements	November 9, 2007
OAS-FS-08-03	Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2007	January 2, 2008
OAS-FS-08-04	Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2007	January 29, 2008